Globalisation patterns in EU trade and investment is an online Eurostat publication presenting a summary of recent European Union (EU) statistics on economic aspects of globalisation, focusing on patterns of EU trade and investment.

The EU has a relatively open trade regime, which has provided a stimulus for developing relationships with a wide range of trading partners. Indeed, the EU is deeply integrated into global markets and this pattern may be expected to continue, as modern transport and communication developments provide a further stimulus for producers to exchange goods (and services) around the world.

This article provides an overview of trade developments across the EU, detailing patterns of growth (in value and volume terms), the split between intra- and extra-EU trade, the performance of individual EU Member States, and developments for the terms of trade.

Statistics on international trade in goods
Statistics on international trade in goods distinguish between intra-EU and extra-EU trade.

Intra-EU statistics concern transactions that occur within the EU, in other words, exports of goods leaving one EU Member State that are destined to arrive in another. The advent of the single market on 1 January 1993 and the removal of customs formalities between EU Member States resulted in a loss of information and required the establishment of a new data collection system — Intrastat — which is closely linked to VAT systems and is based on collecting data directly from taxable persons (traders).

Extra-EU statistics record flows of goods exported and imported between the EU-28 and non-member countries; note that goods 'in transit' through an EU Member State are excluded. Extra-EU trade statistics are collected through a different system — Extrastat — which uses records of trade transactions for customs declarations that are gathered by customs authorities.

The trade balance is the difference between exports and imports. When exports are higher than imports, the balance is positive and this is called a trade surplus. In contrast, if exports are lower than imports, the balance is negative and this is called a trade deficit.

International trade in goods - an overview
EU policymakers see the promotion of international trade (and investment) with the rest of the world as a key driver of economic growth and job creation. The EU is one of the world’s biggest players in global trade: in 2017, it was the second largest exporter and importer of goods in the world, as extra-EU trade accounted for 15.8 % of global exports and 15.1 % of global imports. China exported more goods (16.9 % of the world total) than the EU-28, while the United States imported more goods (17.3 % of the world total) — see article on World trade in goods for more details. The EU has achieved this position, at least in part, by acting in a united
way with a single voice, rather than having 28 national trade strategies: the EU Member States share a single market, a single external border and a single external trade policy within the World Trade Organisation (WTO), where the rules of international trade are agreed and enforced.

Since 2008 the value of goods exported outside the EU has risen at a faster pace than the value of goods imported into the EU.

EU-28 international trade in goods reached a relative peak in 2008 (see Figure 1), when exports were valued at EUR 1 309 billion and the value of imports was somewhat higher, reaching EUR 1 585 billion; as such the EU-28 had a trade deficit of EUR 276 billion. The impact of the global financial and economic crisis resulted in a rapid decline of the EU-28’s international trade in goods; the value of extra-EU exports fell by 16.4% in 2009, while there was an even greater reduction (-22.0%) in the value of extra-EU imports. However, there was a swift recovery in trade activity, as EU-28 exports had already risen above their pre-crisis value in 2010, while the same pattern was observed for EU-28 imports by 2011; both EU-28 imports and exports continued to grow in 2012.

The downturn in the value of EU-28 imports starting in 2012, may be linked to the fall in the price of oil.

Thereafter, somewhat different patterns of development were observed for EU-28 exports and imports — reflecting, at least in part, the development of oil prices. The value of extra-EU imports fell by 6.2% in 2013. After that imports started to grow again, with the exception of 2016 and reached a new peak on 1 980 in 2018. The value of EU-28 exports continued to grow in 2013, dropping only in 2016. They too reached a peak in 2018 at EUR 1 956 billion.

Since 2008, the value of EU-28 exports of goods has generally expanded at a faster pace than the value of EU-28 imports; this has led to a significant change in the EU-28’s trade balance for goods (the difference between exports and imports). The EU-28 had a trade deficit for goods of EUR 276 billion in 2008, although this was reversed by 2013 when a surplus of EUR 49 billion was recorded. The EU kept a surplus until 2017. However, in 2018 this turned into a deficit of EUR 24 billion.

Figure 1: Extra-EU trade in goods, EU-28, 2002-2018(billion EUR)Source: Eurostat (ext_lt_intratrd)
Variations by Member State

During the period 2002-2018, some of the fastest growth rates for trade in goods were recorded among those Member States that joined the EU in 2004 or more recently.

Looking at developments within the individual EU Member States, Figure 2 shows the overall rate of change in the value of imports and exports between 2002 and 2018; note that these statistics relate to total trade flows (in other words, both intra-EU and extra-EU trade). It is interesting to note that those Member States with the highest overall growth in total trade (the sum of imports and exports) tended to be characterised by higher rates of export growth (when compared with import growth rates), while those Member States with relatively low overall growth in total trade tended to report higher rates of import growth.

The fastest expansions in total trade between 2002 and 2018 were recorded in those Member States that joined the EU in 2004 or more recently (Slovakia, Romania, Latvia, Lithuania, Poland, Bulgaria, Czechia, Estonia, Slovenia, Cyprus, Hungary and Croatia; the only exception being Malta), which may, at least in part, be explained by their process of integration into both global markets and (in particular) the European single market, following reforms which led to switching from centrally-planned to market-based economic models. Among those EU Member States that were members prior to 2004, the fastest expansions in total trade between 2002 and 2018 were recorded in the Netherlands, Germany and Spain.

Slovakia recorded the highest overall growth in its value of exported goods between 2002 and 2018 (an increase of 355 %), closely followed by Romania (339 %), while Lithuania, Poland, Latvia and Bulgaria also recorded increases of more than 280 %. By contrast, there were only modest increases in the value of goods exported from the United Kingdom (48 %) and Greece (43 %). Ireland, France, Denmark, Italy and Luxembourg also recorded relatively low growth rates — within the range of 50-70 %.

Slovakia also recorded a high overall growth rate for imported goods, as their value rose by 423 % during the same period. Only Cyprus (836 %) and Latvia (451 %) recorded higher growth rates while Lithuania (412 %) and Poland (407 %) also had growth rates above 400 %. By contrast, the lowest overall growth rates for imports were registered in Luxembourg (27 %) and Malta (19 %).
In 2018, Germany had the highest trade surplus for goods

Between 2002 and 2018, four eastern EU Member States — Czechia, Hungary, Slovakia and Slovenia — each moved from the position of having a trade deficit for goods to having a trade surplus. By contrast, France, Austria, Finland and Sweden saw the opposite development, namely their trade position for goods moved from a surplus to a deficit.

The trade surplus for goods in Germany grew overall by EUR 100 billion between 2002 and 2018, while the next highest absolute increases were reported in the Netherlands (EUR 41 billion) and Italy (EUR 31 billion). The United Kingdom recorded the biggest trade deficit for goods in both 2002 and 2018 and the value of its deficit rose by an additional EUR 70 billion over the period under consideration. Only France’s trade position for goods deteriorated more, namely by EUR 79 billion.
The value of intra-EU trade in goods was 1.8 times as high as the value of extra-EU trade in goods

Although trade flows within the single market may not appear (at first sight) to be particularly ‘global’ in nature and could be considered by some as ‘protectionist’ or ‘inward-looking’, it is important to note that some of these intra-EU flows result from the activities of European or multinational enterprises producing goods on foreign territories; for example, German or Japanese cars manufactured in Slovakia or the United Kingdom, from where they may be exported tariff-free to other parts of the single market.

A comparison between intra-EU trade (that between EU Member States) and extra-EU trade (that between EU Member States and non-member countries) reveals that the former was 2.0 times as high as the latter in 2002; this comparison is made on the basis of total trade (in other words, the sum of imports and exports). By 2018, this ratio was somewhat lower, as the value of intra-EU trade was 1.8 times as high as the value of extra-EU trade; this gradually decreasing ratio suggests that the EU was becoming more integrated within the global economy. Between 2002 and 2018, the value of intra-EU exports rose overall by 84 %, while extra-EU exports rose overall by 121 % (see Table 1).

The relative importance of different products

A high proportion of the goods imported into the EU-28 are primary goods

Table 1 provides more detailed information — based on the Standard International Trade Classification (SITC) — concerning the relative importance of different products within intra-EU and extra-EU trade. The intrinsic nature of different goods means that some are largely restricted to national markets or trade within the single market (intra-EU trade), whereas others are more openly traded on global markets. For example, the perishable nature of some food products may, at least in part, explain why food, drinks and tobacco accounted for one tenth (9.9 %) of all intra-EU exports in 2018, while their share of extra-EU exports was much lower, at 6.2 %. On the other hand, the scarcity or a complete lack of natural resource endowments may explain, at least to some degree, why some goods are imported from extra-EU partners; this is the case, for example, in relation to mineral fuels and related materials, which accounted for 20.8 % of all extra-EU imports, compared with a 6.2 % share of intra-EU imports.
International trade in goods - intra-EU and extra-EU flows

In 2018 Cyprus was the only EU Member State that had a higher share of its trade in goods with non-member countries.

Figure 4 provides an analysis at an aggregate level for total trade in goods showing which EU Member States had a higher propensity to trade within the single market (intra-EU trade) and which had a higher proportion of their total trade with non-member countries (extra-EU trade). The proportion of total trade in goods that was accounted for by intra-EU and extra-EU flows varied considerably across the Member States, reflecting to some degree historical ties and geographical location. In 2018, more than four fifths of the trade conducted by Luxembourg (86.2%), Slovakia (82.8%) and Czechia (80.6%) was with intra-EU partners; there were nine additional Member States where the share of intra-EU trade in total trade was within the range of 70-80%. In the United Kingdom and Greece the shares for extra and intra-EU trade were within 5 percentage points and only Cyprus reported more extra rather than intra-EU trade.

Volume of goods

Imports of goods into the EU-28 stagnated between 2008 and 2014, but grew by 12.8 percentage points between 2014 and 2018.
Figure 5 extends the analysis of international trade developments to cover extra-EU volume indices for trade in goods. The patterns of development for EU-28 trade were broadly similar to those in value terms (see Figure 1) during the period 2002-2008. Thereafter, there was a sizeable contraction in the volume of goods traded in 2009, as the global financial and economic crisis impacted on the level of trade with non-member countries; extra-EU imports were reduced by 13.9 percentage points while the corresponding reduction for extra-EU exports was 15.5 percentage points. Having rebounded in 2010, the volume of goods imported into the EU-28 remained relatively unchanged during the following years; by 2014 the volume of extra-EU imports was 5.1 percentage points lower than its pre-crisis peak of 2008, although this was followed by an increase of 12.8 percentage points between 2014 and 2018. In contrast, the volume of goods exported from the EU-28 continued to rise throughout the period from 2010-2013, after which there was little change until 2016. However, in 2017 and 2018 the volume of exports from the EU-28 to non-member countries rose again. In 2018 it was 23.2 percentage points higher than its pre-crisis peak of 2008.

Figure 5: Extra-EU volume indices for trade in goods, EU-28, 2002-2018 (2010 = 100)
Source: Eurostat (online data code: ext__lt__intertrd)
Box 2.1 — Terms of trade

Unit value indices provide a proxy for the price of imports and exports: changes in the (relative) price of specific products/goods can have a major impact on the trade performance and the structure of trade in individual EU Member States. For example, if the price of oil doubles then it is possible that some Member States (with high degrees of energy dependency) may see their trade position move from a surplus to a deficit.

The terms of trade index presents, for an individual country or geographical aggregate, the ratio between the unit value indices for exports and imports; if the terms of trade are higher than 100 %, then the relative price of exports is greater than the relative price of imports. If a country’s terms of trade improve, then for every unit of exports that it sells abroad, it is able to purchase more units of imported goods. That said, an improvement in the terms of trade may also mean that the price of a country’s exports becomes relatively more expensive on global markets and depending upon the scarcity of these goods (and the availability of possible substitutes), such an increase may have a direct impact on the volume of goods that are exported and could reduce a country’s trade balance.

Between 2002 and 2018 the EU-28’s terms of trade declined...

Figure 6 shows the development of extra-EU unit value indices during the period 2002-2018. The unit value of EU-28 imports and exports rose during the period under consideration: the overall change for imports was 38.9 percentage points, while that for exports was lower, at 28.0 percentage points. As a result, the EU-28 terms of trade index fell overall by 14.3 percentage points (or 12.5 %) between 2002 and 2018; note however, that there was a considerable improvement between 2012 and 2018 (with growth of 8.1 percentage points or 8.8 %).

Figure 6: Extra-EU unit value indices for trade in goods, EU-28, 2002-2018 (2010 = 100)

Source: Eurostat (ext_lt_intertrd)

The information presented in Figure 7 extends the analysis of terms of trade to the individual EU Member States; note the data concerns trade flows with the rest of the world (in other words, both intra-EU and extra-EU trade). In 2018, there were 10 Member States that had terms of trade indices that were above parity (in other words, their unit value indices for exports were higher than their unit value indices for imports); the highest indices were registered in Hungary and Italy, while the lowest terms of trade were recorded in Ireland and Luxembourg. Between 2002 and 2018, Malta and Bulgaria had the biggest improvements in their respective terms of trade (up 17.9 and 9.1 percentage points respectively), followed by Romania, Hungary and Latvia. All of the remaining Member States saw their terms of trade deteriorate between 2002 and 2018, with declines of
more than 10.0 percentage points recorded for Ireland, Spain, Sweden, Finland, France, Austria and Luxembourg.

![Figure 7: Overall change in terms of trade, 2002-2018 (percentage points difference) Source: Eurostat (ext_lt_intertrd)](image)

EU-28 terms of trade deteriorated with a number of countries from which it imports a relatively large amount of raw materials, minerals and energy-related goods.

EU-28 terms of trade indices can also be analysed on the basis of bilateral indices for selected trade partners. Given that for extra-EU partners as a whole the terms of trade fell by 14.3 percentage points between 2002 and 2018, it is perhaps unsurprising to find that the terms of trade with a majority of the selected partners shown in Figure 8 also deteriorated. This was particularly the case for a number of trade partners from which the EU imports a relatively large amount of raw materials, minerals and energy-related goods, for example, Ukraine, Brazil, South Africa, Norway, Australia, Nigeria, Saudi Arabia or Russia. By contrast, EU-28 terms of trade with the United States (up 3.9 points) and China (up 13.9 points) improved. There were also double-digit improvements recorded for the EU’s terms of trade with Singapore, Hong Kong, Israel and Taiwan while the biggest improvement was for the terms of trade with South Korea, a gain of 18.9 percentage points.
The final analysis in this article presents information on the overall change in EU-28 terms of trade for a number of selected products (based on the SITC) between 2002 and 2018. At the start of this period, terms of trade indices were below parity for three — machinery and transport equipment, miscellaneous manufactured articles and beverages and tobacco — of the SITC product groupings shown in Figure 9. By 2018, this situation had changed and there were five product groupings where the terms of trade were below parity. EU-28 terms of trade indices generally deteriorated between 2002 and 2018, with the only improvements recorded for machinery and transport equipment (up 9.5 percentage points), mineral fuels, lubricants and related materials (up 7.9 points), and beverages and tobacco (up 0.1 points).

Figure 8: Overall change in terms of trade with selected partners, EU-28, 2002-2018 (percentage points difference)Source: Eurostat (DS-001722)

Figure 9: Overall change in terms of trade for SITC sections, EU-28, 2002-2018 (percentage points difference)Source: Eurostat (DS-001722)
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